

**IN THE CHANCERY COURT FOR DAVIDSON COUNTY TENNESSEE
TWENTIETH JUDICIAL DISTRICT, SITTING IN NASHVILLE**

STATE OF TENNESSEE)	
ex rel. LESLIE A. NEWMAN,)	
COMMISSIONER)	
OF COMMERCE AND INSURANCE,)	
STATE OF TENNESSEE,)	
)	
Petitioner,)	
)	
vs.)	No: 99-917-II
)	
XANTUS HEALTHPLAN OF TENNESSEE,)	
INC.)	
)	
Respondent.)	

AFFIDAVIT OF LISA R. JORDAN

STATE OF TENNESSEE)
)
COUNTY OF DAVIDSON)

I, Lisa R. Jordan, being duly sworn, hereby state as follows:

1. I am the Assistant Commissioner for the TennCare Oversight Division of the Tennessee Department of Commerce and Insurance ("Department"). I have been involved with the receivership of Xantus Healthplan of Tennessee, Inc. ("XHT" or "Xantus") prior to its being placed in Liquidation on January 21, 2004. Since September 2005 when the special deputy liquidator resigned, I, along with other senior staff at the Department, have been assisting the Liquidator in overseeing the Liquidation of XHT.

2. Christopher Burton served as the Special Deputy Receiver for XHT from February 1, 2003 through August 31, 2005. Mr. Burton's duties included, in part, processing and resolving the claims for services rendered to XHT enrollees and to XHT during the rehabilitation period (April 1,

1999 – January 21, 2004). Upon entry into liquidation, Mr. Burton was responsible for providing the potential claimants with notice of the liquidation in accordance with the Liquidation Order and the Liquidation Statute and for processing and resolving the proofs of claims submitted pursuant to the Liquidation Order.

3. I am aware that Mr. Burton sent by first class mail notice of the liquidation and proof of claim forms to approximately 35,482 potential claimants maintained in the XHT database. Further, I have knowledge that Mr. Burton caused the notice to be published in all major newspapers of general circulation in Tennessee.

4. I have knowledge that Mr. Burton sent by first class mail notice to the Class 2 pre-rehabilitation provider claimants of the amount still owed on their claims.

5. After the Liquidation final claims bar date of May 14, 2004, Mr. Burton processed the claims submitted for services rendered and unpaid for XHT enrollees and XHT during the rehabilitation period (April 1, 1999 through January 21, 2004) and issued Final Liquidation Advices to each claimant showing the amount of the claimant's approved claim and the payment priority of the claim pursuant to Tenn. Code Ann. § 56-9-330. Several of the provider claims were received after the claims bar date and were determined to have a Class 7 priority payment status. All claimants with payment priority lower than Class 2 were advised that they would not receive payment on their claims since there were not sufficient funds in the estate to pay all Class 2 claims in full.

6. The Liquidation received several objections to the Final Liquidation Advices, which were resolved in accordance with the disputed claims process set forth in Tenn. Code Ann. § 56-9-327.

7. All claims for services rendered to XHT enrollees and XHT during the rehabilitation period have been processed, adjudicated, and resolved in accordance with the Order of Liquidation. As authorized by the Court in the Liquidation Order, the Class 1 claims as resolved have been paid by TennCare.

8. After XHT was placed into rehabilitation, XHT negotiated and executed with TennCare and the Centers for Medicare and Medicaid Services ("CMA") an amendment to XHT's Contractor Risk Agreement ("Amendment 7") which guaranteed payment by TennCare for the reasonable costs of medical provider claims incurred during rehabilitation and the administrative expenses incurred during the rehabilitation. Prior to TennCare's termination of XHT's Contractor Risk Agreement ("CRA") on July 31, 2003, XHT negotiated and executed with TennCare and CMS an amendment to the CRA ("Amendment 4"), which guaranteed that, upon termination of XHT's CRA, TennCare would continue to pay for the reasonable costs of medical provider claims incurred from April 1, 1999 through July 31, 2003, and the administrative expenses incurred in processing and paying these claims.

9. As of February 29, 2008, XHT has \$10,441,983.91 in estate assets. The funds available for distribution do not include any previously distributed but unclaimed amounts from the XHT estate.

10. I estimate that a reserve of \$159,469.08 is needed to pay accrued Class 1 administrative expenses and future administrative expenses related to distributing XHT's assets and winding up the estate. Therefore, \$10,282,514.83 will be available to pay Class 2 claims.

11. Exhibit 1 sets forth the total amount computed payable for Class 2 pre-rehabilitation provider claims as adjudicated by the Court on November 16, 1999 (excluding the *de minimus*

claims that have been paid in accordance with the Court's November 16, 1999 Order), all previous distributions made to these Class 2 claimants as approved by the Court, and the proposed final distribution. The proposed final distribution is a pro rata distribution that is being applied proportionately to the amount "Remaining Total Due" for each claimant as set forth in Exhibit 1.

12. I will cause the motion, memorandum, my affidavit, and its exhibits to be posted on the Department's website. I will ask the Tennessee Hospital Association, the Tennessee Medical Association, and the Hospital Alliance of Tennessee to advise members of the website posting or to make the pleadings available to their members by other means.

13. The Liquidation has already provided the Class 2 claimants with the opportunity to show proof of an address change and to provide information needed to avoid federal income tax withholding. In November 2007, all Class 2 claimants were sent by first class mail instructions for making the changes and submitting updated IRS W-9 Forms. The Liquidation will give Class 2 claimants an additional opportunity to show proof of an address change and to provide information needed to avoid federal income tax withholding by submitting an updated IRS Form W-9 to the liquidation. Instructions for making these changes are set forth in Exhibit 2.

14. Since Class 2 claims will not be paid in full, claims below Class 2 will not be paid.

15. A breakdown of Class 1 administrative expense estimates is attached as Exhibit 3. Estimates of attorneys' fees were submitted to me by the attorneys. The other estimates were provided to me for approval by Justin Hastings, an independent contractor for the Liquidation. I have reviewed all estimates provided and concur that the estimated expenses are reasonable and necessary to wind down the liquidation.

16. XHT submitted an annual financial report with the Court on January 31, 2008, reflecting the assets and liabilities through September 30, 2007.¹ Attached hereto as Exhibit 4 is a financial report of the estate assets through February 29, 2008. This information was prepared by the records as maintained by Justin Hastings and is the basis for the amount available to pay Class 2 claimants.

17. I believe it is reasonable to allow 90 days from the date claims checks are issued for claimants to negotiate the claims checks. Within a reasonable period of time after the 90-day period has run, the Liquidation will transfer unclaimed funds subject to the distribution to the State Treasurer. If the 90 day period is approved by the Court, I will cause notice of the 90 day period to be printed on the face of the distribution checks.

18. I have provided TennCare with a copy of the claims records requested by TennCare in electronic format. All other claims records will be ready for destruction after the statutory retention period runs on August 1, 2008. Upon the Court's Order, the Liquidator will destroy after August 1, 2008, all claims records and other records of XHT stored at Richards & Richards that are no longer useful and relevant to the Liquidation.

19. After the unclaimed funds are transferred to the State Treasurer and the records of the liquidation are destroyed, the Liquidator will apply to the Court for a Final Order to close the estate after costs are paid and to discharge the Liquidator from her duties relative to XHT upon completion of all 2008 tax filings.

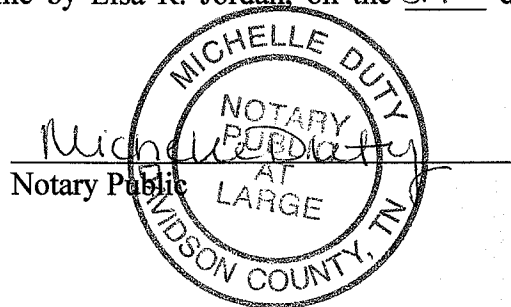
¹ The ESRD account is being reserved and will be addressed in the final motion for closure. ESRD, which stands for End Stage Renal Disease, was a pilot program funded by the federal government. XHT participated in the program through March 31, 2000. The ESRD funding has been maintained separately from the XHT estate account. The Liquidation is in the process of determining whether these funds should be refunded to the federal government

FURTHER AFFIANT SAITH NOT

Lisa R. Jordan
LISA R. JORDAN

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

SUBSCRIBED AND SWORN to before me by Lisa R. Jordan, on the 29th day of
April, 2008.



My Commission Expires: 1/24/09

Respectfully submitted,

By: Jenny Z Brundige
Jones Wilson Luna, #5780
Jennifer Brundige, #20673
FARMER & LUNA, PLLC
333 Union Street, Suite 300
Nashville, Tennessee 37201
(615) 254-9146
Special Counsel for Commissioner Newman

CERTIFICATE OF SERVICE

I certify that a true and exact copy of the foregoing has been mailed, first-class, postage prepaid, on this 30th day of April, 2008, to the following:

Attorneys for Xantus Corporation

Harlan Dodson III, Esq.
306 Gay Street, Suite 400
P.O. Box 198806
Nashville, Tennessee 37219-8806

Joseph F. Welborn, III
Walker, Bryant, Tipps & Malone
2300 One Nashville Place
150 Fourth Avenue North
Nashville, Tennessee 37219-2424

Attorneys for Other Interested Parties

Robert C. Goodrich, Jr., Esq.
SunTrust Plaza
401 Commerce Street, Suite 800
Nashville, Tennessee 37219

G. Gordon Bonnyman, Jr., Esq.
Tennessee Justice Center
301 Charlotte Avenue
Nashville, Tennessee 37201-1101

Mary Jo Price, Esq.
Vanderbilt University, General Counsel
2100 West End Avenue, Suite 750
Nashville, Tennessee 37203

Thomas J. Catliota, Esq.
Andrew J. Love, Esq.
Shaw Pittman
2300 N Street, N.W.
Washington, D.C. 20037

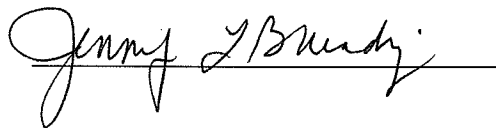
Darrell L. West, Esq.
144 Second Avenue, North
Suite 300
Nashville, Tennessee 37201

Blakeley D. Matthews, Esq.
511 Union Street, Suite 1500
P.O. Box 190695
Nashville, Tennessee 37219

Sarah Hiestand, Esq.
State of Tennessee
Office of the Attorney General, Financial Division
P.O. Box 20207
Nashville, TN 37202-0270

Martha Staley Nichols, Esq.
General Counsel
Department of Finance & Administration
312 Eighth Avenue, North
Suite 2100 Tennessee Tower
Nashville, Tennessee 37243-0293

Betty Boner, Esq.
General Counsel
Bureau of TennCare
310 Great Circle Road
Nashville, Tennessee 37243



Xantus Healthplan of Tennessee, Inc in Liquidation
Schedule of Final Liquidation Expenses

Funds Available for Distribution - Feb 29th 2008

10,441,983.91

Estimated Recurring Expenses (Mar 07 - Close)

AT&T (Phone service)	\$ 1,155.00
Richards & Richards (Storage of files)	\$ 19,070.70
Justin W. Hastings, CPA (Accounting, Accounts Payable, 1099) - March 2008	\$ 3,345.00
Justin W. Hastings, CPA (Accounting, Accounts Payable, 1099) - April 1 thru Close	\$ 29,250.00
Farmer & Luna (Legal Services) - March 1, 2008 thru April 27, 2008	\$ 14,500.00
Farmer & Luna (Legal Services) - April 28 thru Close	\$ 30,000.00
Total Estimated Recurring Expenses	<u>\$ 97,320.70</u>

Other Final Expenses

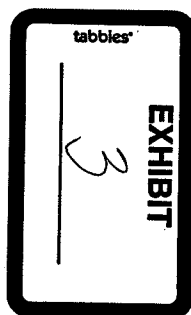
Accrued Expenses as Feb 29, 2008	\$ 13,628.92
Disposal of Vault Items - Richards & Richards	\$ 2,305.00
Disposal of Storage Items - Richards & Richards	\$ 31,746.00
Envelopes for Pre-Petition Mailing	\$ 100.00
Postage for Pre-Petition Mailing *(1,499 @ \$6 ea)	\$ 8,994.00
Pre-petition checks	\$ 321.96
1099 Envelops and Forms	\$ 1,100.00
1099 Postage *(1,505 @ \$.50)	\$ 752.50
Office Supplies	\$ 500.00
Postage & Copies for Court Filing	\$ 1,200.00
Court Fees	\$ 1,500.00
Total Estimated One-time Expenses	<u>\$ 62,148.38</u>

Estimated Final Liquidation Expenses

\$ 159,469.08

Funds Available for Distribution Less Estimated Final Liquidation Expenses

\$ 10,282,514.83



XANTUS HEALTHPLAN OF TENNESSEE, INC IN LIQUIDATION

SCHEDULE OF NET ASSETS AND LIABILITIES

	AS OF 09/30/07	Change 09/30/07 - 02/29/08	AS OF 02/29/08
Cash - First Tennessee Bank - Rehabilitation	380,718.58	(755.77)	379,962.81
Cash - First Tennessee Bank - Pre-Rehabilitation	10,418,297.75	23,686.16	10,441,983.91
Cash - Bank of Nashville - Community Plus	5,110.73	(5,110.73)	-
Cash - Bank of Nashville - ESRD	4,568.65	489.90	5,058.55
Total Cash	10,808,695.71	18,309.56	10,827,005.27
Due from MIMs - Estimated Pharmacy Rebate	-	-	-
Deposits, Prepaids Expenses & Interest Receivable	-	-	-
Total Other Assets	-	-	-
Total Assets	10,808,695.71	18,309.56	10,827,005.27
Due to TennCare - Amendment 4	436,018.09	(56,145.28)	379,872.81
Actuarially Estimated Claims Payable - Pre-Rehabilitation	37,442,736.78	313,071.70	37,755,808.48
State of Tennessee Provider Debt Assumption	19,562,066.00	69,367.84	19,631,433.84
State of Tennessee Note Payable	26,431,115.00	-	26,431,115.00
Premium Taxes Payable	1,601,539.22	-	1,601,539.22
Accounts Payable - Rehabilitation	-	90.00	90.00
Accounts Payable - Pre-Rehabilitation	8,195.12	5,433.80	13,628.92
Total Liabilities	85,481,670.21	331,818.06	85,813,488.27
Retained Earning and Equity	(74,672,974.50)	(313,508.50)	(74,986,483.00)
Total Retained Earnings & Equity	(74,672,974.50)	(313,508.50)	(74,986,483.00)
Total Liabilities and Equity	10,808,695.71	18,309.56	10,827,005.27

UNAUDITED

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EXHIBIT

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XANTUS HEALTHPLAN OF TENNESSEE, INC IN LIQUIDATION

SCHEDULE OF REVENUE AND EXPENSES

	10/1/2007 - 12/31/2007	1/1/2008 - 2/29/2008	10/01/2007 - 2/29/2008
Revenue			
Collections from Subrogation & Refunds	275.48	0.00	275.48
Investment Income on Cash in Bank & Bonds	40,389.98	13,857.62	54,247.60
Total Revenue	40,665.46	13,857.62	54,523.08
Administrative Expenses			
Contract Services	0.00	0.00	0.00
Contract Labor	11,562.88	7,192.65	18,755.53
Legal Fees	5,722.56	2,708.18	8,430.74
Total Professional Services	17,285.44	9,900.83	27,186.27
Rent & Storage	5,312.52	3,467.40	8,779.92
Miscellaneous	5,546.26	224.87	5,771.13
Total Other Expense	10,858.78	3,692.27	14,551.05
Total Expenses	28,144.22	13,593.10	41,737.32
Net Income Before Amendment 4 Reimbursement	12,521.24	264.52	12,785.76
Accrued TennCare Amendment 4 Reimbursement	56,055.28	90.00	56,145.28
Net Income for the Liquidation Estate	68,576.52	354.52	68,931.04

UNAUDITED